

Head 140- Ministry of Hill Country New Villages, Infrastructure and Community Development- Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, reconciliation statements, books, registers and other records of the Head 140 - Ministry of Hill Country New Villages, Infrastructure and Community Development for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154(1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 15 February 2017. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer on the Accounts and Reconciliation

Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, and Public Finance and Administrative Regulations. The responsibility includes, designing, implementing, maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.1,146.47 million and out of that Rs.1,056.88 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Ministry had been Rs.89.59 million or 7.81 per cent. Details are as follows.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	322.03	271.08	50.95	15.82
Capital	824.44	785.80	38.64	4.69
Total	1,146.47	1,056.88	89.59	7.81

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Ministry under Item No.14001 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
12.50	6.62	6.00	7.42	40.00	21.23

2.3 General Deposit Accounts

The total of the balances of the following 02 Deposit Accounts of the Ministry as at 31 December 2015 amounted to Rs.37.95 million.

Deposit Accounts No.**Balance as at 31 December 2015**

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	Rs.millions
6000/0000/00/0016/0082/000	26.04
6000/0000/00/0013/0088/000	11.91

Total	37.95
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2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Hill Country New Villages, Infrastructure and Community Development have been satisfactorily prepared, subject to audit observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations**3.1 Non- maintenance of Registers and Books**

It was observed at the audit test check that the Register of Liabilities had not been maintained by the Ministry in terms of the Financial Regulation 214.

3.2 Appropriation Account**3.2.1 Budgetary Variance**

The following observations are made.

- (a) Excess provisions had been made for 18 Objects and as such the savings, after utilization of provisions ranged from 40 per cent to 91 per cent of the net provisions relating to the respective Objects.
- (b) The entire net provision of Rs.1,060,000 made for 02 Objects had been saved.
- (c) According to the National Budget Estimate 2015, provisions amounting to Rs.200 million had been provided under the Object 2502 for improving livelihood and basic facilities in the rural areas. A total sum of Rs.117.85 million had been spent as Rs.61.22 million for Expenditure of Capital Nature of the Saumyamurthi Thondaman Memorial Foundation and Rs.56.63 million for Expenditure of Recurrent Nature respectively, out of those provisions.

3.3 Advances to Public Officers Account

The following deficiencies were observed at the audit test check conducted relating to the Reconciliation Statement as at 31 December 2015 on Advances to Public Officers Account under Item No.14001.

- (a) Action had not been taken in terms of Paragraphs 1.1.6 and 1.1.7 of the National Budget Circular No.118 of 11 October 2004 relating to loan balances totalling Rs.253,143 existing for a period from 2 years to 11 years of 05 officers transferred by 31 December 2015.
- (b) The loan balance amounting to Rs.107,896 recoverable from an officer who had vacated his service in the preceding year had not been recovered even by 10 June 2016 by taking action in terms of Section 4.5 of Chapter XXIV of the Establishments Code.

3.4 Good Governance and Accountability

3.4.1 Internal Audit

Even though constructions amounting to Rs.500.6 million had been done by the Ministry in the year under review, only a construction valued at Rs.48.9 million that is 10 per cent out of it had been audited by the Internal Audit Unit.

3.4.2 Assets Management

The following deficiencies were observed at the audit test check carried out relating to the assets of the Ministry.

- (a) A survey on vehicles had not been carried out in the year under review.
- (b) Four vehicles of the Ministry had been used by the Saumyamurthi Thondaman Memorial Foundation without properly vesting.

3.5 Non- compliances

(a) Non- compliance with Laws, Rules and Regulations

An instance of non- compliance with the provisions of laws, rules and regulations observed at the audit test checks is given below.

Even though a receipt should be obtained that those goods were handed over and accepted from the officer who handed over and accepted by comparing, examining and balancing balances stated in the Ledger or in the invoice along with the actual inventories of all state goods and other properties in handing over and accepting goods in terms of Financial Regulations 755(1) and 755(2), it had not been so done in handing over and accepting goods in the reshuffle of Ministries.

(b) Non- compliance with Tax Requirements

Value Added Tax amounting to Rs.4,204,044 had been paid by the Ministry for 10 invoices presented by the Plantation Human Development Trust. A registration number had not been obtained by that Institution for those taxes in terms of Section 2(a) of the Value Added Tax Act No.14 of 2002 and had not even reported to the Inland Revenue Department in terms of Paragraph 5 of the Public Finance Circular No.364(3) of 30 September 2002 relating to the taxes paid accordingly.

3.6 Implementation of Projects under Domestic Financing

3.6.1 Projects Implemented by the Plantation Human Development Trust

The functions of 03 projects which were being implemented from the year 2010 and which are currently being implemented under the Ministry of Hill Country New Villages, Infrastructure and Community Development had been executed by the Plantation Human Development Trust. The functions of a higher percentage out of those project functions had not followed the guidelines of the Government Procurement Guidelines since the commencement of the project. As such, a sum of Rs.1,259.28 million had been paid only to the Plantation Human Development Trust for those projects in 2 preceding years and in the year under review. The following observations are made in this connection.

- (a) Activities such as selecting projects, selecting the beneficiaries and the contractors for them had been executed by the Plantation Human Development Trust without the supervision of the Ministry. Sufficient information to ensure whether action had been taken in terms of the provisions of the Government Procurement Guidelines and other circular requirements that should be followed in spending the state money had not been furnished to audit.
- (b) It was observed that the institution did not have the Gazette Paper of its establishment to confirm whether the Plantation Human Development Trust is a government institution or a private institution and an agreement signed with that Trust had also not been furnished to audit.
- (c) Even though recovering the housing loans provided under a project of the “Nawa Jeewana” estate housing development programme which had been operating from several years and providing them to the Ministry is a responsibility of the Plantation Human Development Trust according to the guidance for that programme, the money collected in such a manner had been retained in the accounts of the Trust without being handing over to the Ministry.

3.6.2 Projects Abandoned without Commencing

Activities of 21 projects of which 20 per cent advances totalling Rs.1,542,684 had been paid in the preceding year had not been commenced even by the end of the year under review. All those projects had been cancelled in the year 2016 and the advances issued had been allowed to retain over a period of 1 ½ years and afterwards had been set off for other projects commenced in the year 2016.

3.7 Performance

Hundred houses out of 617 houses planned to be completed as at 31 December 2015 which had been entrusted to construct to the Plantation Human Development Trust under the “Nawa Jeewana” estate housing development programme had not been commenced. Activities of 531 houses could not be completed. As such, activities of 16 per cent of the planned houses had not been commenced and construction activities had not been completed.

3.8 Key Functions not Executed Adequately

It had been decided in the meeting of the Cabinet of Ministers held on 24 August 2000 to deposit Rs. One million in a State Bank for the establishment of a Revolving Fund to provide loans to the estate youth with the objective of the provision of self- employment. The following observations are made relating to the implementation of that project.

- (a) This project, which commenced in the year 2001 remained inoperative in the period from the year 2010 to the end of the year 2015.
- (b) A sum of Rs.300,000 had been deposited in the Bank exceeding the approved amount in the year 2004.
- (c) Recoveries of loans from the loan recipients issued under the Revolving Fund and details on the outstanding balance had not been obtained from the relevant banks.
- (d) Even though issuing loans in terms of the agreement formed in the year 2001 between the Bank and the Ministry should be issued with surety according to the laws and rules of the Bank, any evidence whatsoever was not available that attempts had been made by the Bank to recover the outstanding loans even by sureties. A sum of Rs.4,223,343 had been recovered from the account as outstanding loans and interests from that fund from the date of commencement of the Revolving Fund to 30 January 2013.

3.9 Losses and Damages

A vehicle insured under the Ministry of Livestock and Rural Community Development that existed before the reshuffle of the Cabinet of Ministers had faced an accident on 01 February 2015. It had been informed by post by the Officer in charge of the vehicles of the Ministry to the institution that it will not apply for the relevant reimbursement without taking action to apply from the insurance institution for the reimbursement of the loss amounting to Rs.308,855 incurred. As such, a loss had been incurred to the Government on not achieving the expected objectives of insuring the vehicle. Action had not been taken in terms of Financial Regulations relating to the accident and a complaint as well had not been made in the Police on this accident. That loss had been stated as a loss that should be written off in the Appropriation Account furnished for the year 2015.

3.10 Management Weaknesses

A vehicle valued at Rs.3,625,000 purchased on 27 October 2006 had been handed over to a garage on 26 November 2010 for repairing due to being subjected to a flood on 11 November 2010. The insurance entitlement had been restricted to a sum of Rs.200,000 on reasons such as not conducting the repairing activities of the vehicle according to the proper procedure, not taking action in terms of the Public Administration Circular No.41/90 of 10 October 1999 and not taking necessary security actions. The vehicle was not driven from the year 2010 to 31 December 2015 due to not properly conducting the repairing activities of the vehicle and currently, it had been withdrawn from driving.

3.11 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i)	Senior Level	15	11	04	-
(ii)	Tertiary Level	04	-	04	-
(iii)	Secondary Level	293	277	16	-
(iv)	Primary Level	24	21	03	-
(v)	Others (Casual/ Temporary/ Contract Basis)	-	01	-	01
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	Total	336	310	27	01
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